

SUBCOMMITTEE NO. 3

Agenda

Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist

Senator Alex Padilla
Senator Dave Cogdill



April 9, 2006

1:00 PM

Room 4203
(John L. Burton Hearing Room)

(Diane Van Maren)

<u>Item</u>	<u>Department</u>
4300	Department of Developmental Services

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Thank you.

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Item 4300 Department of Developmental Services

A. OVERALL BACKGROUND (Through Page 3)

Purpose and Description of Department. The Department of Developmental Services (DDS) administers services in the community through 21 Regional Centers (RC) **and** in state Developmental Centers (DC) for persons with developmental disabilities as defined by the provisions of the Lanterman Developmental Disabilities Services Act. Almost 99 percent of consumers live in the community, and slightly more than one percent live in a state-operated Developmental Center.

To be eligible for services, the disability must begin before the consumer's 18th birthday; be expected to continue indefinitely; present a significant disability; and be attributable to certain medical conditions, such as mental retardation, autism, and cerebral palsy.

The purpose of the department is to: (1) ensure that individuals receive needed services; (2) ensure the optimal health, safety, and well-being of individuals served in the developmental disabilities system; (3) ensure that services provided by vendors, Regional Centers, and the Developmental Centers are of high quality; (4) ensure the availability of a comprehensive array of appropriate services and supports to meet the needs of consumers and their families; (5) reduce the incidence and severity of developmental disabilities through the provision of appropriate prevention and early intervention service; and (6) ensure the services and supports are cost-effective for the state.

Description and Characteristics of Consumers Served. The department annually produces a Fact Book (November 2005 edition) which contains pertinent data about persons served by the department. As noted below, individuals with developmental disabilities have a number of residential options. Almost 99 percent receive community-based services and live with their parents or other relatives, in their own houses or apartments, or in group homes (various models) that are designed to meet their medical and behavioral needs.

Department of Developmental Services—Demographics Data from 2004

<i>Table 1</i>			<i>Table 2</i>		
Age	Number of Persons	Percent of Total	Residence Type	Number of Persons	Percent of Total in Residence
Birth to 2 Yrs.	22,601	11.2%	Own Home-Parent	144,023	71.6 %
3 to 13 Yrs.	57,793	28.7%	Community Care	26,442	13.1%
14 to 21 Yrs.	33,697	16.8%	Independent Living /Supported Living	17,333	8.7%
22 to 31 Yrs.	28,365	14.1%	Skilled Nursing/ICF	8,783	4.4%
32 to 41 Yrs.	22,812	11.3%	Developmental Center	3,231	1.6%
42 to 51 Yrs.	20,298	10.1%	Other	1,239	0.6%
52 to 61 Yrs.	10,635	5.3%			
62 and Older	4,850	2.4%			
Totals	201,051	100%		201,051	100%

(Overall Background continued)

Summary of Funding for the Department. The budget proposes total expenditures of \$4.3 billion (\$2.6 billion General Fund), for a *net* increase of \$233 million (\$36.5 million General Fund) over the revised current year for the developmental services system. The proposed augmentation represents an increase of 5.7 percent over the revised current year.

In addition, the revised 2006-07 budget proposes a \$106.4 million (\$71.2 million General Fund) increase from the enacted Budget to address adjustments for employee compensation, caseload and service utilization as well as the effect of the change in the minimum wage.

Of the total amount proposed for 2007-08, \$3.6 billion (\$2.2 billion General Fund) is for services provided in the community through Regional Centers, \$712.3 million (\$393.6 million General Fund) is for support of the state Developmental Centers, and \$40.1 million (\$26.4 million General Fund) is for state headquarters administration.

Proposed Budget for Department of Developmental Services:

Summary of Expenditures

(dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Program Source				
Community Services Program (RC's)	\$3,314,749	\$3,566,049	\$251,300	7.6
Developmental Centers	\$730,629	\$712,268	-\$18,361	-2.5
State Administration	\$40,084	\$40,106	22	0.1
Total, Program Source	\$4,085,462	\$4,318,423	\$232,961	5.7

Funding Source

General Fund	\$2,572,111	\$2,608,617	\$36,506	1.4
Federal Funds	\$55,144	\$55,411	\$267	3.6
Public Transportation Account	\$0	\$143,993	\$143,993	100
Program Development Fund	\$2,019	\$2,012	-\$7	-0.3
Lottery Education Fund	\$489	\$489	\$0	0
Developmental Disabilities Services	\$41	\$0	-\$41	-100
Reimbursements: including Medicaid Waiver, Title XX federal block grant and Targeted Case Management	\$1,455,658	\$1,507,901	\$52,243	3.6
Total Expenditures	\$4,085,462	\$4,318,423	\$232,961	5.7

B. ISSUES FOR “Vote Only” (Items 1 through 5) (Through Page 7)

1. Technical Correction to the Governor’s Budget—Funding Shift Change

Issue—Finance Letter. The Subcommittee is in receipt of a Finance Letter requesting a fund shift to correct a technical error within the Developmental Centers budget (Item 4300-003-0001). Specifically, the General Fund amount needs to be decreased by \$5 million and the Reimbursements need to be increased by \$5 million. These Reimbursements are received from the Department of Health Services through the Medi-Cal Program, and as such, reflect the availability of some federal funds.

This technical adjustment is necessary because the funding split for salary increases within the Developmental Centers item was incorrectly calculated in the Governor’s budget released on January 10, 2007.

Subcommittee Staff Recommendation--Approve. The Finance Letter reflects a technical correction that is necessary to align funding sources. It is, therefore, recommended to approve the Finance Letter. No issues have been raised.

2. Administration Eliminates “Price Adjustment”—Developmental Centers

Issue—Finance Letter. The Subcommittee is in receipt of a Finance Letter requesting to reduce the Developmental Centers budget by \$948,000 (General Fund) to reflect the elimination of the “price adjustment” originally funded in the Governor’s budget released on January 10, 2007. The purpose of the price adjustment was to assist in funding the price increase that has occurred. The Administration is now proposing to eliminate this original augmentation due to concerns regarding General Fund resources.

Subcommittee Staff Recommendation—Approve. The Department of Finance has informed Subcommittee staff that all Developmental Center caseload adjustments, including food, clothes, and all other resident needs, will be fully funded at the May Revision. Therefore, the Finance Letter price adjustment reduction will not affect resident care at the Developmental Centers. It is recommended to approve the Finance Letter. No issues have been raised.

3. Administration Eliminates “Price Adjustment”—State Headquarters Support

Issue—Finance Letter. The Subcommittee is in receipt of a Finance Letter requesting to reduce the State Support budget by \$66,000 (General Fund) to reflect the elimination of the “price adjustment” originally funded in the Governor’s budget released on January 10, 2007.

Subcommittee Staff Recommendation—Approve. It is recommended to approve the Finance Letter. This is a minor adjustment to the State Support budget. No issues have been raised.

4. Salary Enhancements for Mental Health Professionals in the DCs

Issue—Finance Letter. The Subcommittee is in receipt of a Finance Letter requesting an increase of \$6.9 million (\$4 million General Fund) to increase the salaries for certain mental health classifications in facilities operated by the DDS, including the five DCs, Sierra Vista Community Facility and Canyon Springs Community Facility. The Finance Letter provides funding for the budget year. These increases are necessary to retain and hire key professional staff to provide mental health care, treatment and supervision.

The Administration states that these salary increases will be effective as of April 1, 2006. Any current year expenditures will be funded within existing resources which are available due to vacancies (i.e., no additional appropriation for the current year is necessary).

The DDS states that the proposed salary increases will bring salaries and wages for incumbents in these classifications to: **(1)** five percent less than CA Department of Corrections and Rehabilitation (CDCR) for Psychiatrists and Senior Psychologists, and **(2)** 18 percent less than salaries paid to CDCR for all other mental health-related classifications including: Unit Supervisors, Psychiatric Technicians, Rehabilitation Therapists, and Clinical Social Workers.

Background—CDCR Salary Increases and Effect on DDS. In January 2007, the CDCR increased salaries for mental health classifications as a result of the *Coleman v. Governor Schwarzenegger* federal court order. In less than three months, the DDS lost a total of 98 employees in Coleman-related classifications. The Coleman-related classifications include Psychiatrists, Medical Directors, Unit Supervisors, Psychologists, Social Workers, Rehabilitation Therapists and Psychiatric Technicians. These are key classifications that are required for treatment and direct provision of mental health services, or the supervision of direct services to consumers for licensing and certification and for the overall health and safety of consumers.

Subcommittee Staff Recommendation—Approve. As discussed in the Subcommittee's March 12th hearing regarding the State Hospitals operated by the Department of Mental Health and the significant vacancies in clinical positions, particularly with Psychiatrists and Psychologists, the DDS is experiencing similar issues concerning competitive salaries for recruitment and retention. The Finance Letter provides funding to provide key salary increases as noted. As such, it is recommended to approve this Finance Letter. No issues have been raised.

It should be noted that the DDS is working with the Department of Personnel Administration to implement the enhanced salaries.

5. Continued Implementation of Medicare Prescription Drug (Part D)

Issue. The DDS is requesting an increase of \$708,000 (\$357,000 General Fund) to fund a total of 8 positions (7 permanent and one limited-term to June 30, 2009). Of these 8 positions, two existing limited-term positions (approved in 2005) would be made permanent, and 6 new positions would be added. These proposed positions would be used to support workload associated with the continuing implementation of Part D of the Medicare Prescription Drug Act of 2003 (Part D).

The DDS states that they have insufficient resources at the headquarters office to implement Part D. Specifically, they are requesting the following positions to manage the workload:

- Pharmacy Services Manager (currently set to expire as of June 30, 2007);
- Senior Programmer Analyst (currently set to expire as of June 30, 2007);
- Staff Programmer Analyst;
- Staff Information Systems Analyst;
- Program Technician II (two positions);
- Associate Program Analyst; and
- Staff Services Analyst (two-year limited-term to expire as of June 30, 2009).

These proposed positions would be used as follows:

Pharmacy Services Manager. This position would continue to be used for pharmaceutical expertise and technical assistance in pharmacy operations and requirements, drug formularies, dispensing practices, automated pharmacy systems, as well as for consultation to Developmental Center pharmacists, physicians, and for contract negotiations and liaison to the Prescription Drug Plans.

Senior Programmer, Staff Programmer and Staff Information Analyst. These three positions would be used for ongoing support of the Part D information technology modules that were added to the health information applications used by the Developmental Centers and were instrumental in processing physicians' drug orders, managing medication information and pharmacy inventory, and generating claims and billing.

Program Technician II's. These two positions would be used to support the processing and adjudicating of claims with the Prescription Drug Plans in which DDS and the DMH consumers are enrolled. These positions would handle the drug charges, insurance payments and account adjustments to DC consumers and State Hospital patient liability created by the necessity to bill Medicare enrollees for drugs.

Associate Governmental Program Analyst and Staff Services Analyst. These two positions would be used to: (1) develop and update system-wide policies, procedures, and operations manuals; (2) assist in providing training curricula; (3) assist in training the Developmental Center staff in Part D documentation requirements; (4) perform required Medicare audits; and (5) renew and manage the Prescription Drug Plans.

Background—Overall Summary of the Medicare Part D Drug Coverage. The federal Part D established a voluntary prescription drug benefit effective as of January 1, 2006. The federal Centers for Medicare and Medicaid (CMS) is responsible for implementing this benefit which provides new drug coverage through private Prescription Drug Plans.

As a result of Part D, drug coverage for “dual-eligible” enrollees (i.e., eligible for both Medicare and Medi-Cal) was transitioned from Medicaid (Medi-Cal) to Medicare Part D on January 1, 2006. These private Prescription Drug Plans pre-approve and authorize formularies for enrollees, may charge premiums, deductibles, or co-payments for drugs and reimburse pharmacies at negotiated rates for prescriptions filled for enrollees.

Background—Developmental Centers and the Medicare Part D Program. Of the individuals receiving services in the developmental services system, about 40,000 are affected by the Medicare Part D Program and about 2,200 of these individuals live at the five Developmental Centers and receive their drugs through Prescription Drug Plans.

The Prescription Drug Plans must contract with pharmacies to dispense drugs for consumers enrolled in their plans, but DDS has chosen to centrally negotiate contracts for the five Developmental Center pharmacies, rather than expect each pharmacy to separately contract with each of the eight Prescription Drug Plans.

DC physicians and pharmacists must seek prior authorizations before prescribing certain drugs and process requests for exceptions and appeals for drugs which have been denied or are not included on the Prescription Drug Plans formulary. Each of the Prescription Drug Plans determines their own formulary and procedures for prior authorizations, exceptions and appeals. There are seven Prescription Drug Plans that the DDS must work with.

As part of the implementation of the Part D Program at the DCs, the DDS is required to identify the prescription drug and dispensing costs for each dual-eligible consumer (i.e., consumer who is enrolled in Medi-Cal and in Medicare) and bill that consumer’s approved costs to their individual Medicare Part D Prescription Drug Plan. Because of the new complexities in billing, DDS chose to bill centrally at the Sacramento Headquarters office.

The federal CMS does not require Prescription Drug Plans to have standard contracts, rates or processes. As such, each plan requires different forms and formats and content for its processes and billing, and the DDS is required to accommodate each of these in its human and automated processes.

Subcommittee Staff Recommendation--Approve. In discussions with the DDS, it is evident that additional positions are necessary in order for the state to appropriately operate the program for the Developmental Centers. There are changing federal requirements and interpretations, demands for information technology adjustments, and the need to work extensively with the several Prescription Drug Plans.

C. ISSUES FOR DISCUSSION-- COMMUNITY-BASED SERVICES

Background on Regional Centers (RCs). The DDS contracts with 21 not-for-profit Regional Centers (RCs) which have designated catchment areas for service coverage throughout the state. **The RCs are responsible for providing a series of services, including case management, intake and assessment, community resource development, and individual program planning assistance for consumers.**

RCs also purchase services for consumers and their families from approved vendors and coordinate consumer services with other public entities. **Generally, RCs pay for services only if an individual does not have private insurance or they cannot refer an individual to so-called “generic” services that are provided at the local level by the state, counties, cities, school districts, and other agencies.** For example, Medi-Cal services and In-Home Supportive Services (IHSS) are “generic” services because the RC does not directly purchase these services.

RCs purchase services such as (1) residential care provided by community care facilities; **(2)** support services for individuals living in supported living arrangements; **(3)** Day Programs; **(4)** transportation; **(5)** respite; **(6)** health care; and many other types of services.

Services and supports provided for individuals with developmental disabilities are coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team consisting of the consumer, parent/guardian/conservator, persons who have important roles in evaluating or assisting the consumer, and representatives from the Regional Center and/or state Developmental Center. Services included in the consumer’s IPP are considered to be entitlements (court ruling).

In addition, as recognized in the Lanterman Act, differences (to certain degrees) may occur across communities (Regional Center catchment areas) to reflect the individual needs of the consumers, the diversity of the regions which are being served, the availability and types of services overall, access to “generic” services (i.e., services provided by other public agencies which are similar in charter to those provided through a Regional Center), and many other factors. This is intended to be reflected in the IPP process.

Background—Summary of Budget Funding & Consumer Population. The budget proposes **expenditures of \$3.6 billion** (\$2.2 billion General Fund) for community-based services, provided via the RCs, to serve a total of 220,600 consumers living in the community. This funding level includes \$501 million for RC operations and \$3.1 billion for the purchase of services, including funds for the Early Start Program and habilitation services.

The budget reflects a *net* overall increase of \$251.3 million (\$48.5 million General Fund), or 7.6 percent, over the revised current year. The General Fund adjustment represents an increase of 2.3 percent. Most of the increase is attributable to: **(1)** an increase in the utilization of services by consumers; **(2)** an increase of 8,445 consumers for 2007-08; **(3)** adjustments for the minimum wage increases which are to occur; and **(4)** an increase for RC operations.

1. “Baseline” Budget for Regional Centers—RC Purchase of Services (POS)

Issues. *First*, the Administration proposes a total of \$2.829 billion (total funds) for the purchase of services for the **revised current year (2006-07) which is an increase of \$50.181 million (\$33.6 million General Fund) over the Budget Act of 2006.** This increase is attributable to **(1)** an increase of \$18.3 million related to the minimum wage increase as directed by statute, and **(2)** an increase of \$33.4 million related to updated purchase of services utilization and caseload projections.

The Joint Legislative Budget Committee (JLBC) has been notified by the Department of Finance (DOF) of this current-year deficiency request. The DOF states in their notification that funding for this will be forthcoming through a supplemental appropriations bill.

Second, the Administration proposes a total of \$3.109 billion (total funds) for the baseline RC purchase of services in the budget year (2007-08). (The baseline amount is the funding level prior to any proposed policy changes.) **This represents an increase of \$280.4 million (total funds) above the revised current year, as shown in the table below.**

Summary of RC Purchase of Services Funding (Total Funds)

Service Category	Revised Current Year (2006-07)	Budget Year 2007-08	Increased Amount (Total Funds)
Community Care Facilities (CCFs)	\$687.8 million	\$769.8 million	\$82 million
Medical Facilities	\$17.8 million	\$17.8 million	no change
Day Programs	\$699.8 million	\$754.2 million	\$54.4 million
Habilitation Services	\$148.4 million	\$150 million	\$1.6 million
Transportation	\$203.5 million	\$214.6 million	\$11.1 million
Support Services	\$487.6 million	\$550.8 million	\$63.2 million
In-Home Respite	\$165.2 million	\$180.5 million	\$15.3 million
Out-of-Home Respite	\$47.5 million	\$48.3 million	\$800,000
Health Care	\$82.9 million	\$91.4 million	\$8.5 million
Miscellaneous	\$268.3 million	\$311.8 million	\$43.5 million
Early Start Program	\$20.1 million	\$20.1 million	
Total Baseline (Prior to key policy changes)	\$2.829 billion	\$3.109 billion	\$280.4 million

The key factors contributing to the \$280.4 million increase to the RC baseline purchase of services budget for 2007-08 are as follows:

- **Caseload & Utilization of Services.** The RC community caseload is projected to increase by 8,375, or 3.9 percent, for a total of 220,600 consumers for the budget year. The utilization of services is also increasing based upon recent data. As such, about \$20.8 million of the increase is attributable to these changes.
- **Minimum Wage.** Of the proposed increased amount for the budget year as compared to the revised current year, \$45 million (total funds) is for the California minimum wage increase (to \$7.50 per hour as of January 1, 2007 and \$8.00 per hour as of January 1, 2008). These increases will impact entry-level direct care staff that provide services in

community care facilities, day and work activity programs, respite care, and supported living.

- Annualized Effect of Rate Increases. Through the Budget Act of 2006, an across-the-board rate increase of 3 percent was provided. In addition, other rate increases were provided for supported employment, work activity and day programs. The budget reflects these annualized rate increases across the various purchase of services categories.

Third, on a one-time only basis the Administration is proposing to use \$144 million (Public Transportation Account) in lieu of General Fund support to fund RC transportation services, including those provided by public transportation, specialized transportation companies, service providers and families. The Public Transportation Account resources are derived primarily from sales taxes on gasoline and diesel fuels. Section 14506 of the Government Code describes the uses for these funds. The Administration states that using these funds for transportation services to individuals with developmental disabilities through various forms of public transit meets the purposes of the statute.

Further, it should be noted that this is simply a temporary funding shift and that no services would be affected by the proposal.

Background—Summary of the Categories of Purchase of Services (POS). A brief description of the above-referenced POS categories is provided below:

- Community Care Facilities (CCFs). Regional Centers contract with CCFs to provide 24-hour non-medical residential care to children and adults with developmental disabilities who are in need of personal services, supervision, and assistance essential for self-protection or sustenance of daily living activities.
- Medical Facilities. The Regional Centers vendor Intermediate Care Facilities (ICF) for consumers *not* eligible for Medi-Cal. The types of ICFs providing services to individuals with developmental disabilities are: ICF-DD (Developmentally Disabled), ICF-DD-H (Habilitative), ICF-DD-N (Nursing), and ICF-DD-CN (Continuous Nursing). (The Department of Health Services operates the Medi-Cal Program and directly reimburses those ICF providers who serve individuals with developmental disabilities who are eligible for Medi-Cal.)
- Day Programs. Day Programs are community-based programs for individuals served by a Regional Center. Day Programs are available when those services are included in a person's Individual Program Plan (IPP).
- Habilitation Services Program. This area includes the Work Activity Program and the Supported Employment Program. These programs provide opportunities for individuals with developmental disabilities to work.
- Support Services. Regional Centers contract with vendors to provide services and supports which include a broad range of services to adults who live in homes they themselves own or lease in the community.

- Respite Services (In-Home and Out of Home). Regional Centers contract with vendors to provide respite services to provide support to family members.
- Health Care. Regional Centers contract with vendors to provide health care services that are medical and health care related.
- Miscellaneous Services. These services are a broad category and include tutors, special education teacher's aides, recreational therapists, speech pathologists, mobility training specialists and counseling.

Subcommittee Staff Recommendation—Approve Pending May Revision. It is recommended to approve the baseline Regional Center (RC) purchase of services budget pending receipt of the May Revision which will address any necessary adjustments for caseload and utilization.

Questions. The Subcommittee has requested the DDS to briefly respond to the following questions:

1. DDS, Please provide a brief summary of the key changes proposed for the RC baseline purchase of services budget.

2. Proposed Changes to the Intermediate Care Facilities (ICF)—DD Bundled Rate

Issue. The Administration **proposes an increase of \$44 million in federal fund support and a corresponding reduction of \$44 million in General Fund support** by reconfiguring the rate paid to Intermediate Care Facilities for persons with Developmental Disabilities (ICF-DD), including Habilitative (H) and Nursing (N). (It should be noted that the Administration has a technical error of \$17 million within this proposal that will be adjusted at the May Revision.)

Specifically, in order to capture these additional federal funds, the state would have to redefine the ICF-DD facilities as an “all inclusive service” under the California’s Medicaid (Medi-Cal) State Plan. **Under the Administration’s proposal, ICF-DD facilities would be responsible for providing Day Programs, transportation, and other assistance (in cases where generic services are unavailable). In turn, these services would be reflected in the rates paid to the ICF-DD facilities.** Presently, these above described services are *not* part of the ICF-DD rate and are separately paid for by Regional Centers.

Federal regulations allow for a broad definition of the services that can be provided in ICFs with reimbursement under Medi-Cal. Therefore, by using this “all inclusive service” definition, the state can obtain \$44 million more in federal funding and can subsequently, reduce state General Fund support by the same amount.

The Administration must submit a “State Plan Amendment” (SPA) to the federal government for approval prior to receipt of any additional federal funds for this purpose. The DHS, as the entity that manages the state’s Medicaid Program (Medi-Cal), must submit the SPA. According to the DHS, they intend to submit the SPA to the federal government by no later than September 30, 2007 which should allow for California to claim additional federal funds for services rendered on or after July 1, 2007. (The federal government allows state’s to retroactively claim up to 3 months, or one quarter.)

It should be noted that proposals similar to this to increase federal funds by using an “all inclusive rate” have been proposed in prior years by an independent contractor, legislation, and the Legislative Analyst’s Office.

Background—Role of the DHS and Description of Intermediate Care Facilities (ICF)-DD Services. The Department of Health Services (DHS) licenses three types of Intermediate Care Facilities that are available for individuals with developmental disabilities, depending on the nature of their health care needs. These facilities qualify for Medicaid (Medi-Cal) reimbursement for all people in the facilities who are eligible for Medi-Cal.

The DHS, as the single state Medicaid agency for the federal government, is responsible for establishing the rates paid for Medi-Cal reimbursed services. Through the rate setting process, the DHS determines what is, or is not, an allowable cost to be covered under the set rate.

All reimbursement procedures and related Medi-Cal information is contained within California’s “State Medicaid” Plan (each state has one), including the rates paid for ICF-DD facilities. Any changes to California’s plan, including what is an allowable cost and how to calculate the reimbursement, must be done through a “State Plan Amendment” (SPA) and

submitted to the federal Centers for Medicare and Medicaid (CMS) for approval.

The three facilities affected by the Administration's budget proposal are briefly described below:

- ICF-DD. Generally, these facilities provide developmental, training, Habilitative, and supportive health services to individuals who have a primary need for developmental services and a recurring but intermittent need for skilled nursing services. These facilities have certified capacities of 16 people or larger.
- ICF-DD-H (Habilitative). Generally, these facilities provide personal care, developmental, training, habilitative and supportive health services for children and adults with developmental disabilities who have a primary need for developmental services and an ongoing, predictable, but intermittent need for skilled nursing services. These facilities have certified capacities from 4 to 15 people.
- ICF-DD-N (Nursing). Generally, these facilities provide nursing supervision, personal care, developmental, training, habilitative and supportive health services to medically fragile children and adults with developmental disabilities who have a need for skilled nursing services that are not available through other 4 to 15 bed health facilities. These facilities have certified capacities from 4 up to 15 people.

Subcommittee Staff Recommendation—Hold Open, and Have Administration Report Back. This proposed change makes sense because it would allow California to obtain increased federal fund support, but it does require careful and thoughtful planning, and training by the Administration. By directly purchasing day and transportation services, the ICF-DD providers would have a greater ability to obtain services that are consistent with the changing needs of the consumers they serve. Clearly Regional Center support, through case management services, would also continue and would still monitor these services.

Unfortunately, the Administration still has *not* provided Subcommittee staff with any detail as to how the “all inclusive rate” will be structured. These details are clearly important in order for the proposal to work for the various constituency groups affected by the proposed change. In addition, the Administration needs to ensure that the Individual Program Plan (IPP) is the governing process that determines what a consumer needs, and not any other process such as rules which solely govern the Medi-Cal Program. **These details from the Administration are overdue, as such, it is recommended to hold this issue open and have the Administration report back to the Subcommittee on May 7th as to how the change will be accomplished.**

Questions. The Subcommittee has requested the DHS and DDS to respond to the following questions:

1. DHS, Please describe what needs to be done within the Medi-Cal Program to restructure the rate in order for the state to receive the additional federal funds.
2. DHS, What are the timeframes for meeting with providers, clarifying the billing methodology, and submitting the State Plan Amendment to the federal CMS for approval?
3. DDS, How will Day Program providers and transportation providers be reimbursed?

3. Governor Proposes Continuing Temporary Cost Containment From Prior Budget Acts

Issue: The Administration proposes to continue several different cost containment actions for 2007-08 that were enacted as part of the Budget Acts of 2002, 2003, 2004, 2005, and 2006. These cost containment actions have been previously adopted by the Legislature in lieu of more sweeping and restrictive actions previously proposed by Governor Davis and Governor Schwarzenegger. **In total, these cost containment measures are proposed to save about \$250 million (\$172.7 million General Fund) for 2007-08.**

The cost containment actions proposed to be continued by the Administration are discussed individually below. All of these proposed actions require trailer bill legislation.

- **A. Delay in Assessment (RC operations) (-\$4,500,000 General Fund):** Through the Budget Act of 2002, trailer bill language was adopted to extend the amount of time allowed for the Regional Center's to conduct assessment of new consumers from 60 days to 120 days following the initial intake. The Governor proposes to continue this extension through 2007-08 through trailer bill language. This is the same language as used in previous years.
- **B. Calculation of Case Management Ratios (RC Operations) (-\$32.8 million or -\$16.2 million General Fund):** Through the Budget Act of 2003, trailer bill language was adopted to reduce the average RC case manager to consumer ratio from one to 66 (one Case Manager to 66 consumers). Previously, the ratio was one to 62. The Governor proposes to continue this extension through 2007-08 through trailer bill language. This is the same language as used in previous years.
- **C. Non-Community Placement Start-Up Suspension (-\$6 million General Fund):** Under this proposal, a Regional Center may not expend any purchase of services funds for the startup of any new program unless the expenditure is necessary to protect the consumer's health or safety or because of other extraordinary circumstances, and the DDS has granted authorization for the expenditure. The Administration's proposed trailer bill language would continue this freeze through 2007-08. The Legislature did provide \$3 million (General Fund) for this purpose in 2006-07.
- **D. Freeze on Rate Adjustments for Day Programs, In-Home Respite Agency and Work Activity Programs (-\$3.9 million or -\$2.9 million General Fund):** The rate freeze means that providers who have a temporary payment rate in effect on or after July 1, 2007 cannot obtain a higher permanent rate, unless the RC demonstrates that an exception is necessary to protect the consumers' health or safety. It should be noted that these programs did receive rate increases in the Budget Act of 2006. As such, their rates for 2007-08 would be frozen at these levels, unless otherwise adjusted as noted.
- **E. Freeze Service Level Changes for Residential Services (-\$47.4 million or -\$28.4 million General Fund):** This proposed trailer bill language would provide that RCs can only approve a change in service level to protect a consumer's health or safety and the DDS has granted written authorization for this to occur. This action maintains rates at the July 1, 2007 level.

- *F. Elimination of Pass Through to Community-Care Facilities (-\$3.2 million, or \$1.9 million General Fund):* The SSI/SSP cost-of-living-adjustment that is paid to Community Care Facilities by the federal government is being used to off-set General Fund expenditures for these services for savings of \$3.2 million (\$1.9 million General Fund).
- *G. Contract Services Rate Freeze (-\$160.6 million, or -\$190.7 million General Fund):* Some RCs contract through direct negotiations with providers for certain services in lieu of the DDS setting an established rate. Continuation of the rate freeze would mean that RCs cannot provide a rate greater than that paid as of July 1, 2007, or the RC demonstrates that the approval is necessary to protect the consumer's health or safety. The Administration's proposed trailer bill language is the same as last year's, with a date extension to include 2007-08.
- *H. Habilitation Services Rate Freeze (-\$2.2 million, or -\$2.8 million General Fund):* The Habilitation Services Program consists of the (1) Work Activity Program (WAP), and (2) Supported Employment Program (SEP). The WAP services are primarily provided in a sheltered setting and are reimbursed on a per-consumer-day basis. SEP enables individuals to work in the community, in integrated settings with support services provided by community rehabilitation programs. The Administration's proposed trailer bill language would continue the rate freeze into 2007-08.
- I. Non-Community Placement Start-Up Suspension (-\$6 million):* Under this proposal, a Regional Center may not expend any Purchase of Services funds for the startup of any new program unless the expenditure is necessary to protect the consumer's health or safety or because of other extraordinary circumstances, and the DDS has granted authorization for the expenditure. The Administration's proposed trailer bill language would continue this freeze through 2007-08.

With respect to the startup of new programs, the Administration notes that funding would be provided to protect consumer's health and safety or to provide for other extraordinary circumstances as approved by the DDS.

Limits on this funding were first put into place in 2002. It should be noted that in the Budget Act of 2006, the Legislature did appropriate \$3 million (General Fund) for these purposes.

Subcommittee Staff Recommendation—Hold Open Pending May Revision: It is recommended to hold these issues open pending the receipt of the Governor's May Revision.

Questions: The Subcommittee has requested the DDS to respond to the following questions.

1. **DDS,** Please summarize the proposal and why the Administration wants to continue these cost containment strategies into the budget year.

4. Community-Based Preparation for Agnews Closure—Issues “A” & “B”

Overall Issue. The Governor’s budget reflects various adjustments related to the Administration’s closure of the Agnews Developmental Center by June 30, 2008. These adjustments are reflected in both the Regional Center item *and* Developmental Center item of the Budget Bill due to the transitioning of consumers from Agnews to other living arrangements.

Overall, the budget proposes a net increase to the developmental services system of \$40.3 million (\$32.3 million General Fund) due to the anticipated transition of 145 consumers from the Agnews Developmental Center into the community. This net figure includes increases for the Regional Center budget and decreases for the Developmental Centers budget.

Specifically, the Regional Center budget is projected to increase by \$50.7 million (\$37.9 million General Fund) for the costs of providing services to consumers in the community. The budget for the Developmental Centers (DCs) is projected to decrease by \$10.4 million (\$5.6 million General Fund), reflecting reduced staffing costs associated with the reduction in the number of Agnews residents. (The DCs budget adjustments are discussed further below under the Developmental Centers section of this Agenda.)

The proposed adjustments are consistent with the Administration’s updated plan provided to the Legislature on January 10, 2007, as required by statute. The Administration will be updating the Agnews plan at the time of the Governor’s May Revision. However, the principal components of the Agnews plan are expected to remain the same.

The plan to close Agnews Developmental Center was developed over a three-year period and formally submitted to the Legislature in January 2005. Enabling legislation to support the implementation of critical elements of the plan has been enacted, including Assembly Bill 2100 (Steinberg), Statutes of 2004, Senate Bill 962 (Chesbro), Statutes of 2005, Senate Bill 643 (Chesbro), Statutes of 2005, and Assembly Bill 1378 (Lieber), Statutes of 2005.

The Agnews Developmental Center Plan closure is *different* than the two most recent closures of Developmental Centers—Stockton DC in 1996 and Camarillo DC in 1997—both of which resulted in the transfer of large numbers of individuals to other state-operated facilities. **In contrast, the Agnews Plan relies on the development of an improved and expanded community service delivery system in the Bay Area that will enable Agnew’s residents to transition and remain in their home communities.**

Among other things, the DDS proposes to achieve this improved and expanded community service delivery system by:

- Establishing a permanent stock of housing dedicated to serving individuals with developmental disabilities;
- Establishing new residential service models for the care of developmentally disabled adults;
- Utilizing Agnew's state employees on a transitional basis in community settings to augment and enhance services including health care, clinical services and quality assurance; and
- Implementing a Quality Management System (QMS) that focuses on assuring that quality services and supports are available in the community, including access to health care services.

Key issues regarding the Regional Center budget adjustments as they pertain to the closure of Agnews Developmental Center are discussed below, under Issues "A" and "B".

The Developmental Center budget adjustments as they pertain to Agnews are discussed further below in this Agenda.

Issue “A”—Continued Implementation of the Bay Area Housing Plan ---Update

Issue. One of the foundations of the Agnews closure plan is the development of sufficient community capacity to support the transition of Agnew’s consumers into the communities that are close to their families. New service and support options are being created that provide choices for each person and reflect the needs of the individual.

The acquisition and development of housing is a critical element. Over 75 percent of the current Agnew’s residents will move into Bay Area Housing Plan (BAHP) homes. According to the DDS’ most recent housing development plan, a total of 195 consumers are anticipated to reside in BAHP homes as noted in the table below. As of April 1st, 30 homes have been purchased and 8 are in escrow. All 62 homes will be purchased by July 2007.

Table: Summary of Bay Area Housing Plan (For all three Regional Centers)

Type of Home	Number of Homes	Number of Residents
“SB 962” Homes	23	94
Specialized Residential Home	27	71
Family Teaching Home	9	19
Residential Care Facility--Elderly	3	11
Total	62	195

Specifically by Regional Center, the following can be noted from the DDS’ most recent plan (**See Hand Out**):

- *Golden Gate Regional Center.* It is anticipated that a total of 41 consumers will reside in BAHP homes. With **(1)** 12 consumers living in “SB 962” Homes; **(2)** 26 consumers living in Specialized Residential Homes; and **(3)** three consumers living in Residential Care Facility for the Elderly facilities.
- *San Andreas Regional Center.* It is anticipated that a total of 105 consumers will reside in BAHP homes. With **(1)** 56 consumers to be living in “SB 962” Homes; **(2)** 26 consumers living in Specialized Residential Homes; **(3)** 19 consumers to be living in Family Teaching Homes; and **(4)** four consumers in Residential Care Facility for the Elderly.
- *Regional Center of the East Bay.* It is anticipated that a total of 49 consumers will reside in BAHP homes. With **(1)** 26 consumers living in “SB 962” Homes; **(2)** 19 consumers living in Specialized Residential Homes, and **(3)** four consumers living in Residential Care Facility for the Elderly.

There are several critical steps to the BAHP roll-out, including the acquisition of properties, closure of escrow, working with local zoning and building requirements which can vary across the various jurisdictions (i.e., 13 different cities and towns, plus county requirements), obtaining providers to operate the homes and provide services, obtaining licensing approval, and working closely with consumers and their families.

Background— Bay Area Housing Plan (BAHP). The enactment of Assembly Bill 2100 (Steinberg), Statutes of 2004 and Senate Bill (Chesbro), Statutes of 2005, authorized the DDS to approve proposals from the Bay Area Regional Centers (i.e., San Andreas RC, RC of the East Bay, and Golden Gate RC) to provide for, secure, and assure the payment of leases for housing for people with developmental disabilities.

The Budget Act of 2004 provided \$11.1 million (General Fund) for the pre-development costs associated with acquisition and development of housing to implement the BAHP. (These funds can be expended through June 30, 2010 in order to liquidate any encumbrances associated with the BAHP.)

In September 2005, the Department of Finance (DOF) submitted the BAHP and the expenditure plan to the Joint Legislative Budget Committee (JLBC) for review. This plan was approved.

A key component of this plan is a partnership between the DDS, the housing developer—Hallmark Community Services--, the three Bay Area Regional Centers, and the Bay Area non-profit housing development corporations. Through this partnership, they have secured the necessary agreements for bond financing with the California Housing Finance Agency (CalHFA) and construction financing with the Bank of America. These funds are used to acquire properties and either renovate or construct “SB 962” Homes, Family Teaching Homes, and Specialized Residential Homes.

At this time, a total of \$70 million in bond financing has been approved by CalHFA for use in acquisition and either renovation or construction of properties associated with the BAHP. The purpose of the taxable and tax-exempt bonds is to fund the permanent financing of the BAHP properties upon completion of respective renovation and occupation by consumers. The entire bond package, issued in phases, will total in the aggregate about \$120 million. The bonds will fully amortize over 15 years.

Background—New Models for Residential Services. To address the needs of Agnew’s residents, various new models for community-based residential services have been structured. These are briefly described below.

- **“SB 962” Homes.** Senate Bill 962 (Chesbro), Statutes of 2005, directed DDS to establish a new pilot residential project designed for individuals with special health care needs and intensive support needs. Examples of health services that can be provided in this type of home include, but are not limited to, nutritional support; gastrostomy feeding and hydration; renal dialysis; and special medication regimes including injections, intravenous medications, management of insulin, catheterization, and pain management. Nursing staff will be on duty 24-hours per day.

In addition, an Individual Health Care Plan will be developed and updated at least every six months, and at least monthly face-to-face visits with the consumer by a Regional Center nurse will be done.

This pilot is a joint venture with the Department of Social Services (DSS) and will serve up to 120 adults, with no more than five adults residing in each facility. This pilot is to be limited to individuals currently residing at Agnews. An independent evaluation of the

pilot will be submitted to the Legislature by January 1, 2009.

- *Specialized Residential Homes.* These homes are designed for individuals with behavioral challenges or other specialized needs, and will serve from three to four consumers per home. These homes provide 24-hour on-site staff with specialized expertise to meet the unique needs of the individuals. These homes have the capability for on-site crisis response.

It should be noted that when a majority of the consumers living in this model of home turns age 60, the home will need to be re-licensed as a Residential Care Facility for the Elderly (RCFE) (as required by state statute). Therefore, all BAHF Specialized Residential Homes will be constructed to address the physical plan requirements for an RCFE licensure.

- *Family Teaching Homes.* Among other things, Assembly Bill 2100 (Steinberg), Statutes of 2004, added a new "Family Teaching Home" model to the list of residential living options. This new model is designed to support up to three adults with developmental disabilities by having a "teaching family" living next door (usually using a duplex). The teaching family manages the individual's home and provides direct support when needed. Wrap-around services, such as work and day program supports, are also part of this model.

Background—Movement From Agnews. According to the DDS, as of mid-February, 115 consumers have transitioned from Agnews Developmental Center to the community. One consumer who had moved was returned to Agnews. None of the 115 individuals who have moved have been admitted to another Developmental Center.

As of late March, 244 consumers are residing at Agnews.

Background—Consumer "Pre-Placement". The DDS Coordinator of Consumer Services is meeting with each resident of Agnews to discuss their individualized choices for living options. The DDS states that this coordinator and support staff typically meet with 24 residents per month. Appointments are scheduled with residents one month prior to their Individualized Program Plan (IPP) meeting. The estimated completion date for this project is September 2007.

The DDS states that placement decisions for each consumer are made by an interdisciplinary planning team and reflect the needs of the individual. If a resident is recommended for transition to the community, community-based services are identified and a comprehensive transition process is coordinated by state staff, including the following:

- Day visits to community service providers including the proposed residence, supervised by staff who know the consumer well;
- Overnight visits or weekend visits to the residential placement if the transition is proceeding successfully; and
- A minimum of 15 days prior to community movement, the planning team meets to ensure that all services, including medical services, are ready to help ensure a smooth and safe transition.

If problems arise or it appears that community providers are not able to meet the consumer's needs, the process is delayed or stopped until identified problems can be resolved.

Background—Consumer “Post-Placement” Monitoring. Upon an individual's move to a community living arrangement, state staff and Regional Center staff are to closely monitor the placement to ensure a smooth transition. **Key monitoring activities include the following:**

- State staff provide follow-up with the consumer at five days, 30 days, six months, and 12 months after the move;
- Regional Center staff conducts face-to-face visit every 30 days for the first 90 days after the move and as determined by the Individual Program Plan thereafter;
- State staff, in coordination with RC staff, provide additional visits, supports and onsite training to the consumer and service provider as needed to address the individual's service needs;
- For the first year following transition from a Developmental Center, consumers receive enhanced Regional Center case management. For Agnews Developmental Center residents, the enhanced case management is for two years;
- A Quality Assurance Council, consisting of family members, consumers, and providers has been convened to review and monitor the quality of services provided to consumers who have moved from Agnews;
- Medically fragile consumers transitioning from Agnews to homes licensed by the Department of Social Services for consumers with special health care needs will be visited by a nurse at least monthly, or more frequently as appropriate. In addition, these consumers will be seen by a physician at least every 60-days or more frequently if specified in the consumer's healthcare plan;
- For every individual who has moved from a Developmental Center since April 1995, an independent contractor evaluates the consumer's quality of care, programs, health and safety, and satisfaction; and
- The Organization of Area Boards conducts a Life Quality Assessment once every three years for every consumer living in an out-of-home community setting. These assessments assist in ensuring that people are receiving the services they need.

Questions. The Subcommittee has requested the DDS and Regional Centers (i.e., San Andreas, Regional Center of the East Bay and, Golden Gate) to respond to the following questions:

1. DDS, Please briefly describe the “pre-placement” process used to discuss choices for living options with each consumer to be transitioned from Agnews.
2. DDS and Bay Area Regional Centers, Please briefly discuss the housing roll-out and securing service providers to operate the homes.
3. DDS, Please briefly describe how the recently approved Proposition 1C—Housing and Emergency Shelter Fund Act of 2006—may be used to expand affordable housing opportunities as well.

Issue “B”--Health Care Services to be Provided to People Transitioned from Agnews

Issue. The broad provision of health care services, including health, behavioral health and dental, to individuals transitioning from Agnews is of critical concern and is the utmost of importance. As noted in the Administration’s Agnews Plan for Closure (latest report of January 2007), 54 percent of the Agnews residents have significant health and extensive personal care needs, and 25 percent are persons with significant behavioral needs.

Though the Specialized Residential Homes and the “SB 962” Homes, as well as certain other existing models of care such as Intermediate Care Facilities-DD, provide certain specialized health care needs in residence, additional health care services need to be accessed and provided in the community.

The DDS states that they have both *short-term* and *longer-term* strategies they are working on with respect to providing health care, including primary care, specialized care, specialized therapies, behavioral health, dental care and vision care.

The three key aspects to their effort to address these needs are as follows:

- Assuring that the comprehensive health needs of each Agnews resident are assessed and a comprehensive individualized health plan is developed prior to any transition;
- Providing medical services to support the transition of Agnews residents to community settings; and
- Developing and implementing a service strategy that assures access to a comprehensive array of health services *after* the closure of Agnews and ongoing.

As described under the background section below, the DDS states that each resident of Agnews will have a comprehensive individualized health plan. This “Health Transition Plan” specifically states how each health need will be met following transition, as well as the provider of each service.

In addition, the background section below outlines the present efforts being undertaken by the DDS, the three Bay Area Regional Centers and community providers. These various efforts are considerable and are continuing as community resources are identified.

However, the Administration has *not* yet developed a longer-term health care strategy. Specifically, the Department of Developmental Services (DDS) and Department of Health Services (DHS) are working with local health care providers who provide Medical Managed Care services, including the **(1) Alameda Alliance for Health, (2) Santa Clara Family Health Plan, and (3) Health Plan of San Mateo**, to provide a *permanent* “health care home” for transitioning Agnews residents.

The Administration does state that both the Health Plan of San Mateo and Santa Clara Family Health Plan have “special needs plans” (for people who are Medicaid and Medicare eligible) and Alameda is working towards obtaining this designation.

But the detailed specifics of how the Administration intends to proceed in working out all of the arrangements with affected consumers and their families, as well as the arrangements with the above referenced health plans are still in flux.

The Administration states that they are proceeding with the following steps to solidify a longer-term health care strategy:

- *Identify Medical Service Needs of Individuals Transitioning from Agnews (By April 20, 2007).* The DDS and Regional Center of the East Bay are developing a matrix that identifies consumer service needs and clarifies the entity/organization that is responsible for each service. The directors of the three health plans will then meet with Agnews physicians to clarify service needs and to assess their interest in continuing to provide services after the Agnews Developmental Center closure
- *Refine Health Care Strategy (By April 30, 2007).* The DDS, DHS, three Regional Centers and three health plans will meet to review service needs, funding and implementation strategies to assess next steps and to identify any remaining barriers.
- *Develop Funding Strategy for Health Plans (Not Clear).* First, the DDS and DHS will meet by April 30, 2007 to review available cost and utilization data for purposes of establishing an “interim rate” to be paid to the health plans for health care services provided to the consumers. Second, the DHS will then need to determine whether the payment strategy for the health plans will require an amendment to their existing contracts (they all contract under the Medi-Cal Managed Care Program), or whether a new contract is necessary.

The DHS states that it is likely they will provide an interim rate and then calculate a final settlement to pay the health plans actual costs. The final methodology will need to be agreed to by the health plans as well.

- *Additional Engagement of Consumers and Advocates in Process (By May 15, 2007).* The three Regional Centers will facilitate health plan meetings with consumers, families and advocates in their area. These meetings will be designed to be “listening sessions” to better understand concerns and needs and to provide an orientation for receiving services through one of the health plans.
- *Review Implementation Strategies in Other Areas (By April 6 and May 30, 2007).* DDS is to provide information regarding similar projects in other areas, most notably Minnesota and Massachusetts, to the health plans (by April 6, 2007). The DDS, DHS, health plans and three Regional Centers will then meet with two County Organized Healthcare Systems—CalOPTIMA of Orange County, and Health Plan of San Mateo—to identify implementation issues and strategies (by May 30, 2007).

It should be noted that both CalOPTIMA and the Health Plan of San Mateo presently serve individuals who have significant health care issues, including individuals who are aged, blind and disabled.

Background--Individualized Health Plan for Each Consumer (See Hand Out). As part of their Individual Program Plan (IPP) process prior to transitioning from Agnews, each Agnews' resident will receive a comprehensive nursing and risk assessment which is comprised of over 60 health-related items. This assessment is then used to develop a Health Transition Plan that is incorporated into the IPP.

The Health Transition Plan specifically states how each health need will be met following transition from Agnews, as well as the provider of each service.

Background—Agnews Developmental Center Outpatient Clinic. In March 2006, the DDS expanded the Agnew's license to provide outpatient medical services to individuals with developmental disabilities who reside in the community (both individuals who have transitioned from Agnews, as well as other individuals with developmental disabilities living in the surrounding area). Medical staff from Agnews is used to provide the services.

Based on recent data, this outpatient clinic at Agnews has provided over 230 services to a total of 185 consumers. The most frequently uses services are dental (accessed 128 times), primary medical care, psychiatry and neurology.

According to the DDS, this outpatient clinic will *likely* end its operation on June 30, 2008, consistent with the identified Agnews Developmental Center closure date. **They note that several factors ultimately determine the longevity of the Outpatient Clinic past the June 30, 2008 closure date, including the following:**

- The outpatient clinic will only be licensed and operational as long as Agnews is able to maintain its General Acute Care Hospital license (or make other agreed to arrangements with the Department of Health Services Licensing and Certification Division);
- The staffing capacity at Agnews must be able to support the continued operation of the outpatient clinic; and
- The timing for when the DDS is able to transition outpatient clinic services to the community by partnering with an existing community provider.

Background—Behavioral Health Services. As part of the transition planning, the behavioral health needs of each Agnew's resident are assessed and intervention strategies are identified as appropriate.

Behavioral health services will be provided through various means including the following:

- **“Community Intervention Response Team (CIRT)”.** San Andreas Regional Center and Agnews have developed a response team to provide consultation, training, and support to service providers in need of services to transition Agnews' consumers. Agnews has dedicated four state staff who receives support from other professional staff (such as psychologists, psychiatrists, pharmacists, and nurses) as needed for this purpose. When a request for service is received, the CIRT assesses the need and deploys staff and resources as appropriate. The staff completes an assessment of the

individual's needs, reviews intervention strategies, and works with the community planning team in the development and implementation of training and treatment plans.

The CIRT is being replicated at Golden Gate RC and the RC of the East Bay.

- Community Mental Health Services (“generic” service). Contingent upon an individual's needs certain behavioral health services can be accessed through County Mental Health Plans. The three Regional Centers are working with their local County Mental Health Plans (San Francisco, Santa Clara, Alameda and other counties as appropriate) to coordinate mental health services as appropriate. Memorandums of Understanding (MOUs) exist between these entities with respect to protocols and other matters.
- Pending Acute Psychiatric Facility. The three Regional Centers have contracted with Telecare Incorporated to develop an acute psychiatric facility that will be available for persons who are experiencing a behavioral crisis and require *short-term* treatment and stabilization services. The facility will have a capacity to serve 15 persons.

Background—Oral Health Care and Frequent Need for Sedation Dentistry Services.

The provision of oral health care is of critical concern since many dental services for this medically fragile population require sedation. **As noted from the Agnews Outpatient Clinic data, dental services are in high demand and are difficult to obtain from traditional dental care providers.** The DDS and Bay Area Regional Centers have proceeded with the following actions to address these needs:

- Oral Health Assessment of Individuals. An oral health screening examination will be conducted of each Agnew's resident by the Regional Center Dental Coordinator. These assessments are to be used for transition planning and for referrals to community resources. The DDS also states that each individual will be up-to-date with their dental care services prior to leaving Agnews and that dental services will remain available during the transition period through the Agnews outpatient clinic (while available).
- “Community Mapping of Available Services”. Each Regional Center has collected information about oral health providers within their geographical area. This mapping project has identified community clinics, dental offices and hospitals that might be sources of treatment for individuals with developmental disabilities. Follow-up is being done with these providers.
- Survey of Dentists and Dental Hygienists. The RCs contracted with the University Of the Pacific (UOP) School of Dentistry who has completed a survey of all the dentists and dental hygienists in the Bay Area (600 responded). These professionals will be targeted for further follow-up as sources of care.
- Continuing Education for Professionals Who Treat Individuals with DD. UOP is collaborating with the three Regional Centers to provide low-cost continuing education courses for oral health professionals (Spring 2007 first training scheduled). It is anticipated that the attendees will be better prepared to treat individuals with developmental disabilities. Training resources are also being provided by UOP for direct care community staff (who are non-dental professionals) so they can learn to

support good dental hygiene that will promote dental and physical wellness.

- *Establishing Partnerships for Sedation Dentistry Services.* Sedation is often needed when providing dental care and services to individuals with developmental disabilities. San Andreas RC has established a partnership with Sutter Health and Dominican Hospital for these purposes. East Bay RC and Golden Gate RC are working with UOP to identify similar partnerships in their geographical areas.

Background—Cal OPTIMA and the Regional Center of Orange County. After many years of development, Cal OPTIMA (the County Organized Healthcare System of Orange County) is recognized as having a very viable network of health care services for individuals with significant health care needs, including individuals with developmental disabilities.

Cal OPTIMA coordinates the provision of health care services to most Medi-Cal enrollees using managed care principles. Enrollees of Cal OPTIMA are provided services through one of the subcontracting health plans or through Cal OPTIMA “Direct”. Through the “Direct” program, enrollees with special health care needs—such as those with dual eligibility (Medi-Cal and Medicare eligible)—receive health care services through a fee-for-service system of providers.

Cal OPTIMA is noted for having strong partnerships with their health plan members, the Regional Center of Orange County, as well as with local non-profit groups and advocacy organizations that provide assistance to diverse individuals, including people with developmental disabilities.

Subcommittee Staff Recommendation—Some Actions Now & Report Back on May 7th. The Administration’s longer-term health plan is still being developed as noted above. Therefore, it is suggested to adopt certain recommendations now and to then revisit this issue at the May 7th Subcommittee hearing once more detailed information is obtained from the Administration.

First, it is recommended to increase the Regional Center Operations budget by \$503,000 (\$126,000 General Fund) to support 4 new positions (i.e., three Chief Health Care Community Specialists at \$135,000 each including benefits, and one Assistant Health Care Community Specialist at \$98,000 including benefits) at the three Regional Centers. Due to the volume of consumers at San Andreas RC, they will receive the additional Assistant position. These resources are critical in order to ensure that all responsible parties are providing appropriate, high quality health care services to consumers.

It is critically important to have staff at the three Regional Centers to, at a minimum, ensure:

- Development of a complete understanding of how to best meet the needs of persons with developmental disabilities and persons with special health care needs;
- Coordination of services and case management, the monitoring of services, and the overall health and safety of the individual; and

- Coordination between the health care plans, consumers and families and other community-based services.

Second, it is recommended to adopt trailer bill language to ensure continuity of consumer's health care and accountability within the Administration, as well as at the community level between the Regional Centers and the health plans. This proposed trailer bill language is in the Hand Out.

Third, it is recommended to have the DDS and DHS report back at our May 7th Subcommittee hearing regarding the outcomes from their meetings as noted above, and to further discuss the longer-term health care strategies for consumers.

Questions. The Subcommittee has requested the DDS, Department of Health Services (DHS) and Regional Centers to respond to the questions below as appropriate. In addition, the health plans or their representative are also requested to participate in the discussion.

1. DDS, Please briefly describe the key components to the Administration's health plan for individuals transitioning from Agnews, including the role of the Agnews Outpatient Clinic.
2. Regional Centers, Please describe the key components to your activities as they pertain to a consumer's health care, behavioral health and dental services. From your perspective, what needs to occur in order to ensure high quality, health, behavioral health and dental services?
3. DHS, As the administrator of the Medi-Cal Managed Care Program, how will the three health plans— Santa Clara Family Health Plan, Health Plan of San Mateo, and Alameda Alliance for Health—be reimbursed for services *and* what will be their responsibilities?
4. Health Plans, Please share your initial perspectives regarding the Administration's proposal and the next steps that you potentially foresee.

D. ISSUES FOR DISCUSSION—Developmental Centers

Background on Developmental Centers (DCs). State Developmental Centers (DCs) are licensed and federally certified as Medicaid providers via the Department of Health Services. They provide direct services which include the care and supervision of all residents on a 24-hour basis, supplemented with appropriate medical and dental care, health maintenance activities, assistance with activities of daily living and training. Education programs at the DCs are also the responsibility of the DDS.

The DDS operates five Developmental Centers (DCs)—Agnews, Fairview, Lanterman, Porterville and Sonoma. Porterville is unique in that it provides forensic services in a secure setting. In addition, the department leases Sierra Vista, a 54-bed facility located in Yuba City, and Canyon Springs, a 63-bed facility located in Cathedral City. Both of these facilities provide services to individuals with severe behavioral challenges.

Background--Summary of Funding and Enrollment. The budget proposes expenditures of \$712.3 million (\$393.6 million General Fund), excluding state support, to serve *an average of 2,589* residents who reside in the state DC system. This reflects a caseload decrease of 245 residents or 8.6 percent, as noted in the table below.

Table: Summary of Developmental Center Budget Year Population (Average)

Facility	Revised Current Year 2006-07	Budget Year 2007-08	Difference
Agnews DC	202	82	-120
Canyon Springs (community-based)	61	53	-8
Fairview DC	603	563	-40
Lanterman DC	503	488	-15
Porterville DC	700	673	-27
Sierra Vista (community-based)	46	49	3
Sonoma DC	719	681	-38
Total	2,834	2,589	-245

Background—Transitioning to Community Services. The population of California's Developmental Centers has decreased over time. The development of community services as an alternative to institutional care in California mirrors national trends that support the development of integrated services and the reduced reliance on state institutions.

The implementation of the Coffelt Settlement agreement resulted in a reduction of California's Developmental Center population by more than 2,320 persons between 1993 and 1998. This was accomplished by creating new community living arrangements, developing new assessment and individual service planning procedures and quality assurance systems.

The United States Supreme Court decision in *Olmstead v L.C., et al* (1999) stated that services should be provided in community settings when treatment professionals have determined that community placement is appropriate, when the individual does not object to community placement, and when the placement can reasonably be accommodated.

1. Funding Associated with the Agnews Developmental Center Closure

Issue. The Administration proposes an overall *net* increase to the developmental services system of \$40.3 million (\$32.3 million General Fund) due to the Agnews closure. This net increase consists of the Regional Center budget component as discussed above and the Developmental Center component. The DC budget adjustment reflects a decrease of \$10.4 million (\$5.6 million General Fund).

The Administration's adjustments within the Developmental Centers budget specifically for Agnews, for both the revised current-year and budget year, are shown in the table below.

Administration's Fiscal Summary—Agnews Developmental Center

Component	Revised CY 2006-07	Budget Year 2007-08	Difference
1. Agnews DC Base Budget			
Total Dollars	\$83.3 million	\$73.8 million	-\$9.3 million
General Fund	(\$44.2 million)	(\$39.3 million)	(\$4.9 million)
Staff Positions	1,057 staff	975 staff	-82 staff
Beginning Year Residents	280 people	161 people	-119 people
2. Placements into the Community			
Total Dollars	-\$5.7 million	-\$14.9 million	-\$9.3 million
General Fund	(\$3 million)	(\$8 million)	(\$5 million)
Placements	-113 people	-145 people	-32 people
3. Consumer Transfers to Other DCs			
Total Dollars	\$0	\$-430,000	\$-430,000
Transfers		-10 people	-10 people
4. State Employees in the Community			
Total Dollars	\$5.4 million	\$9.2 million	\$3.8 million
Clinical Staff	\$1.2 million	\$2.1 million	\$895,000
Direct Support Services Staff	\$3.5 million	\$5.3 million	\$1.8 million
Support Staff	\$0	\$449,000	\$449,000
Operating Expenses	\$616,000	\$1.3 million	\$694,000
5. Staff Costs for Closure Plan			
Total Dollars	\$716,000	\$4.9 million	\$4.2 million
Staff Transition Costs	\$378,000	\$628,000	\$250,000
Overtime- Consumer Escort	\$338,000	\$0	-\$338,000
Costs for Lump-Sum Buyout	\$0	\$4.3 million	\$4.3 million
6. Facility Preparation	\$0	\$73,000	\$73,000
7. Consumer Relocation Costs	\$0	\$105,000	\$105,000
8. Agnews Staffing Plan			
	\$366,000	\$731,000	\$365,000
	(5 positions)	(10 positions)	(5 positions)
Total Developmental Center Costs			
Total Dollars	\$83.8 million	\$73.4 million	-\$10.4 million
General Fund	(\$41.8 million)	(\$36.3 million)	(\$5.6 million)
Staff Positions	980 staff	812.5 staff	-167.5 staff
Year Ending Resident Population	161 people	0	-161 people

It should be noted that the Governor's May Revision will likely make technical adjustments to the above components as more up-to-date information is obtained.

The key adjustments as noted in the table above are discussed below:

- Agnews Budget Base. This includes the costs related to the base operations of Agnews DC including personal services, operating expenses and equipment costs.
- Placements into the Community. This includes the savings resulting from the relocation of Agnews residents into the community.
- Consumer Transfers to Other DCs. This includes the savings resulting from the transfer of 10 Agnews residents to other Developmental Centers.
- Staff Costs for Closure Plan. This includes costs for staff transition, staff training, staffing escorts for transportation of consumers, and related aspects.
- Facility Preparation. This includes the costs associated with preparing Sonoma to receive Agnew's residents.
- Consumer Relocation Costs. This includes costs associated with relocation of consumers, such as moving vans, transportation vehicles and associated expenditures.
- Agnews Staffing Plan. This includes costs for non-level-of-care staff in various program areas to ensure adequate staff is maintained during the closure process, as well as maintaining the health and safety of residents.

Subcommittee Staff Recommendation—Keep Open Pending May Revision. The Agnews closure expenditures will be adjusted at the May Revision. As such, it is recommended to keep this item open pending receipt of the May Revision.

Questions. The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please briefly discuss each of the key components of the Agnews DC closure as contained in the table above.